

CA20N
XL II
-1996
C178

Government
Publications

VIDEO LOTTERY TERMINALS

Current Issue Paper 178



**ONTARIO LEGISLATIVE LIBRARY
BIBLIOTHÈQUE DE L'ASSEMBLÉE
LÉGISLATIVE DE L'ONTARIO**



Digitized by the Internet Archive
in 2022 with funding from
University of Toronto

<https://archive.org/details/31761115500589>

Ontario
Legislative
Library



Bibliothèque de
l'Assemblée législative
de l'Ontario

Government
Publications

Legislative Research Service
Room 2520, Whitney Block
99 Wellesley Street West
Toronto, Ontario M7A 1A9

(416) 325-3675
(416) 325-3637
(416) 325-3696 Fax

Service de recherches
Bureau 2520, édifice Whitney
99, rue Wellesley ouest
Toronto (Ontario) M7A 1A9

(416) 325-3675
(416) 325-3637
téléc. : (416) 325-3696

ISSN 0835-0299

VIDEO LOTTERY TERMINALS

Current Issue Paper 178

Prepared by:

Andrew McNaught and Steve Poelking
Research Officers
Legislative Research Service

October 1996



The Legislative Research Service is a branch of the Ontario Legislative Library which provides confidential non-partisan research analysis to Members of all parties of the Legislative Assembly and to legislative committees.

Originally prepared in July 1996 as background notes for the Ontario delegation to the 35th Canadian Regional Conference of the Commonwealth Parliamentary Association.

CONTENTS

INTRODUCTION	1
Definition and Description of VLTs	1
THE EXPERIENCE WITH VLTs IN OTHER PROVINCES	2
Manitoba	2
Financial Impact	2
Job Creation	3
Impact on Charitable Gaming	3
Alberta	4
Financial Impact	4
Impact on Charitable Gaming	4
Other Effects	5
The Atlantic Provinces	5
Financial Impact	5
Other Effects	5
Quebec	6
Financial Impact	6
Job Creation	6
THE PROPOSED VLT PROGRAM FOR ONTARIO	6
Objects of the Program	6
Phased Implementation	7
Impact of the Proposed Program	7
Revenue Forecasts	7
Impact on Charitable Gaming	7
Overview of Bill 75	8
PUBLIC HEARINGS ON BILL 75	9
Opening Statements	9
Statement by the Minister	9
Statement of the Official Opposition	9
Statement of the Third Party	10
Hospitality Industry	11
Gaming Industry	12
Suppliers	12
Bingo Halls	12
Charitable and Non-profit Organizations	12
Horse Racing Industry	13
Addiction Service Groups	13
Native Groups	14
Municipalities	14
Labour Organizations	14
Religious Organizations	15

VLTs AND GAMBLING ADDICTION: RECENT STUDIES	15
Alberta	15
Gambling and Problem Gambling in Alberta	15
A Description of Problem Gamblers in Alberta	16
Female Problem Gamblers in Alberta	16
Manitoba	17
A Profile of VLT Gamblers in Brandon, Manitoba	17
Problem Gambling Study	18
Manitoba Lottery Policy Review	18
International Studies	19
NOTES	20

INTRODUCTION

Gambling is a 10 billion dollar a year industry in Canada,¹ and video lottery terminals (VLTs) have become one of its major components. In his budget speech of May 7, 1996, the Minister of Finance announced that Ontario would become the ninth province to legalize VLTs. Bill 75, currently before the Legislature, will establish the enabling legislation for the government's VLT program.

The economic reasons for legalizing VLTs are clear: VLTs have an enormous capacity to generate revenue. The government can use its share of VLT revenues to fund government services, as well as charitable and non-profit activities. Businesses in recession-hit industries, such as the horse racing and hospitality industries, believe the machines will enable them to compete in an increasingly competitive entertainment market.

It can also be argued that regulating VLTs will help to eliminate the thousands of illegal, or "grey," machines that already exist in Ontario, and will establish better government control over the gaming market.

Opponents of legalization argue that the economic benefits of VLTs are dubious, and that VLTs, like other forms of gambling, are simply a tax on the poor. Critics also say that VLTs are a particularly addictive form of gambling. Charitable organizations fear that VLTs in hotels, bars and restaurants will draw gaming dollars away from traditional charitable fundraising activities, such as bingo.

This paper describes the experience with VLTs in other provinces. It then gives an overview of the proposed VLT program for Ontario, and summarizes public reaction to the plan, as expressed in recent legislative committee hearings. The paper concludes with a survey of research on the effects of VLTs on gambling addiction.

Definition and Description of VLTs

A video lottery terminal is a coin-operated, free-standing electronic adaptation of popular games of chance. Winnings are paid out through a pay slip which players redeem at the site where the prize pay-out was won.²

VLTs offer different games all on the same VLT. Line-up or "Match 3" games include Lucky 7s, Breakaway, Jackpot Jungle, etc.. Video poker games include Joker Poker, Deuces Wild and Jacks or Better.³

The prize pay-outs (dollars won as a proportion of dollars waged) can vary with the game and the jurisdiction in which the VLT is located. In Manitoba, for example, the average pay-out is around 92%.

THE EXPERIENCE WITH VLTs IN OTHER PROVINCES

VLTs made their legal debut in Canada in the Atlantic provinces in December 1990, followed by Manitoba in November 1991 and Alberta in 1992. Ontario and British Columbia are the only provinces that have not legalized VLTs.

As the table below shows, there were just under 40,000 (legal) VLTs in Canada at the end of 1995, generating provincial government revenues of more than \$1.12 billion.

VLT DISTRIBUTION		
Jurisdiction	Number of Legal VLTs	(\$ Millions) 1995 Gov. Rev's
BC	0	0
Alberta	5,709	356.7
Saskatchewan	3,600	101.2
Manitoba	5,200	120
Ontario	0	0
Quebec	14,500	300
Nova Scotia	2,885	90
Prince Edward Island	607	14
New Brunswick	3,721	91
Newfoundland	2,165	49
<i>Total</i>	<i>38,387</i>	<i>1,121.9</i>

Source: "Video gambling: tingles at what cost?" *Canadian-Press Newswire*, 24 May 1996.

Manitoba

Financial Impact

VLTs are the dominant source of the Manitoba government's revenues from gaming operations. The table below provides a revenue breakdown of all gaming operations in the province for 1995.

Gaming Type	1995 Net Revenue (\$000)
VLT	119,927
Lottery	40,009
McPhillips Street Station	31,669
Club Regent	26,535
Casino	10,034
Bingo and breakopen products	3,435
Interest income	763
Other income	129
License fees	(151)
Bingo halls	—
Total	232,350

Source: Manitoba, Manitoba Lotteries Corporation, *1994-95 Annual Report* (Winnipeg: The Corporation, 1995).

Earlier this summer, Manitoba announced that it will roll back the number of VLTs in the province by 500 units, so that by year-end they will total about 4,700.⁴

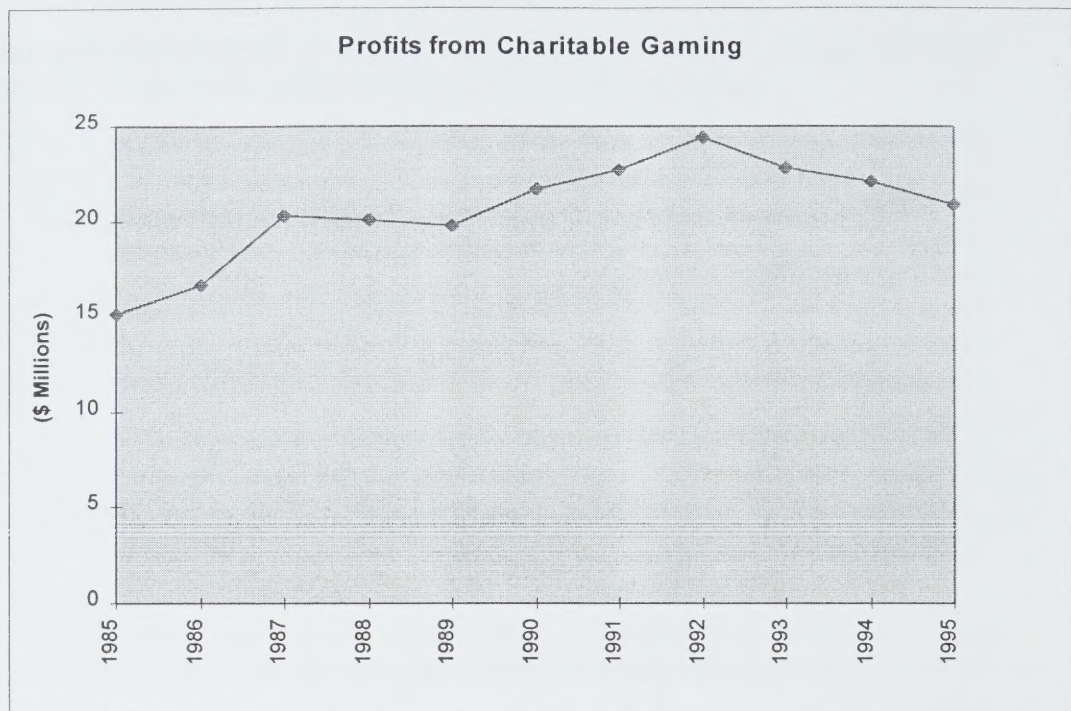
Job Creation

Manitoba Lotteries Corporation states that “the VLT program has created about 4,000 jobs.”⁵

Impact on Charitable Gaming

Determining the impact of VLTs in general, let alone on charitable gaming, is difficult. A recent study of gaming in Manitoba concluded “only anecdotal evidence could be found” on this issue.⁶

The graph below shows the profits in Manitoba’s charitable gaming industry over the last 10 years.



Source: Manitoba Lotteries Corporation, *1994-1995 Annual Report*.

As the data shows, profits have shrunk from the 1992 high of \$24.4 million to a 1995 level of \$20.9 million. However, over the same period, profits at the Manitoba Lotteries Corporation increased by about \$154 million, part of which was made available to beneficiary groups. According to the Corporation, this “more than made up for the decline in charitable gaming profits.”⁷

Alberta

Financial Impact

VLTs were introduced in Alberta in 1992. In 1991-92, total dollars played on VLTs were only \$19.7 million. But by 1993-94, dollars played had climbed to \$864.6 million.⁸ In 1995, total net revenue for the government, which collects 85% of all VLT revenue, was \$452 million.⁹

Impact on Charitable Gaming

According to the Alberta Gaming and Liquor Commission, the effects of VLTs on charitable gaming are difficult to determine. The Commission has noted, however, that the sale of break-open tickets in the province had been declining in the years preceding the introduction of VLTs.¹⁰

Other Effects

In the fall of 1994, Alberta capped the number of VLTs in the province at 6,000, due to concerns expressed by communities and individuals about social problems, such as youth gambling and addiction-related issues.¹¹

A study commissioned by the Alberta government recommended that local governments be allowed to hold plebiscites to approve or reject VLTs in their communities.¹²

The Atlantic Provinces

The Atlantic Lotteries Corporation oversees VLT operations in the four Atlantic provinces. Each province has its own alcohol and gaming commission which is responsible for regulation and enforcement. VLTs were introduced in New Brunswick and Newfoundland in 1990, and in Nova Scotia and Prince Edward Island in 1991.

There are currently 9,000 VLTs located in 3,000 establishments across the four Atlantic provinces. In New Brunswick and PEI, VLTs are owned and operated by the private sector, and are located in liquor-licensed establishments and in “corner stores.” In Nova Scotia and Newfoundland, machines are owned and operated by the Atlantic Lotteries Corporation, and are located only in licensed establishments.

Financial Impact

In 1995-96, total net revenues (revenues after payment of prizes) for the four provinces was \$281 million. In New Brunswick and PEI, private operators take 25% of VLT revenues, the host establishment takes 25% and the government receives 50%. In Nova Scotia, the government share is 80%, with the remainder going to the host site. In Newfoundland, 76% goes to the government and 24% to the host.¹³

Other Effects

When the government of Nova Scotia legalized VLTs in May 1991, they were permitted only in retail establishments that had Lotto 649 machines. As revenues from VLTs increased, the government approved the operation of 2,500 VLTs in convenience stores, bowling alleys, laundromats, restaurants and video film retail outlets, and in 1,100 liquor-licensed establishments.

However, in January 1993, the government withdrew 2,500 machines from corner stores, laundromats, etc., and restricted the machines to liquor-licensed locations. It appears that this decision was taken in response to concerns expressed by municipalities, the media and private citizens about the effect VLTs were having on gambling addiction and gambling by youth.

Quebec¹⁴

There are currently 14,500 VLTs in Quebec, located in 4,200 bars and brasseries, and in three race tracks. All decisions regarding purchase and location are made by Lotto Quebec. The monitoring system for the VLT program is operated by a private company.

Financial Impact

The Quebec government receives 70% of VLT revenues, while host sites receive 30%. In 1995, net government revenue was \$140 million.

Job Creation

Quebec's VLT program employs 40 civil servants. Installation and maintenance requirements have created approximately 300 direct jobs in the private sector.

THE PROPOSED VLT PROGRAM FOR ONTARIO

As noted in the introduction, the proposed VLT program for Ontario was outlined in the budget speech of May 7, 1996. Bill 75, the *Alcohol, Gaming and Charity Funding Public Interest Act, 1996*,¹⁵ will establish the enabling legislation for the VLT program.

Objects of the Program

The stated goals of the government's VLT program are as follows¹⁶:

- VLTs located in race tracks will help to revitalize the horse racing industry in the province.
- VLTs located in hotels, bars and restaurants will provide a significant stimulus to the hospitality industry.
- Distribution of VLT revenues to charitable organizations will help them meet community needs.
- Legalizing VLTs will respond to the public's demand for this form of entertainment.
- The establishment of a tightly regulated, government-managed VLT network will counter illegal gaming activity, which currently includes an estimated 15,000 to 20,000 illegal VLTs, and will impose discipline and control on Ontario's gaming market place.

Phased Implementation

Although not specified in the enabling legislation, the government has indicated that, initially, only 20,000 VLTs will be allowed in the province. Machines will be installed in three phases.

- Phase One: About 4,000 terminals at Ontario race tracks.
- Phase Two: About 5,000 terminals in 50 permanent, yet-to-be determined, charity fund-raising sites.
- Phase Three: About 10,000 terminals in hotels, bars and restaurants.¹⁷

Impact of the Proposed Program

Revenue Forecasts

The government forecasts that Ontarians will spend about \$460 million on VLTs at race tracks and charity sites, earning the government about \$260 million, and charities about \$180 million. Local gaming sites are expected to receive about \$46 million in commissions.¹⁸

The *Ontario Hospitality Industry Coalition* believes that more than 16,000 new jobs can be created and \$500 million in new non-tax revenue could pour into the Ontario treasury through VLTs.¹⁹ Ontario Video Gaming Corporation, a private sector video gaming company, states that “according to the experience in other jurisdictions, video gaming can generate an additional \$800 million in annual revenues for the licensed food service sector in Ontario.”²⁰

Impact on Charitable Gaming

There is no hard data on what impact the proposed VLT program will have on charitable gaming in Ontario. Indeed, there is little data on this subject from those provinces that legalized VLTs several years ago.

However, the following observations and recommendations were made by Charities First Ontario, a coalition of charities involved in charitable gaming.²¹

- Over 50,000 charities have benefited from gaming in Ontario. In 1994, charities raised in excess of \$290 million through bingo and other forms of gaming.
- There is a “staggering lack of information available to guide the examination of VLTs.”

- If VLTs are legalized in the province, “charities will lose hundreds of millions of dollars.”
- Accordingly, the government should “suspend any decision on VLTs until all relevant factors have been consulted and the consequences of their introduction analyzed.”

In contrast, the Ontario Video Gaming Corporation claims that “VLTs in charitable bingo halls and at charitable casino events can earn significant revenues for the charitable beneficiaries of those events.”²²

Overview of Bill 75

Bill 75, the enabling legislation for the proposed VLT program, is composed of three parts. Part I contains a schedule establishing the *Alcohol and Gaming Regulation and Public Protection Act, 1996*. The main feature of this Act is the creation of the Alcohol and Gaming Commission as a Crown corporation responsible for both liquor and gaming regulation in Ontario. Part II of Bill 75 amends several pieces of legislation to reflect the creation of the new Commission, but also contains the provisions relating to VLTs. Part III provides that the Bill is to take effect upon proclamation.

It is the amendments to the *Ontario Lottery Corporation Act*, contained in Part II of Bill 75, that will legalize VLTs in Ontario. These amendments, as well as amendments to the *Liquor Licence Act* and the *Gaming Control Act*, will impose the following restrictions on the introduction and operation of VLTs.

- The *Ontario Lottery Corporation Act* will be amended to make the Ontario Lottery Corporation responsible for VLTs. This amendment is necessary to ensure compliance with the *Criminal Code*, which requires the provincial government to conduct and manage all lotteries in the province.²³
- To address concerns about the effects of VLTs on youth, VLTs will be located only in separate gaming areas within liquor-licensed establishments, where access can be restricted to those who are 19 years of age or more. Accordingly, the *Ontario Lottery Corporation Act* will be amended to prohibit the owner of an establishment with VLTs or an employee from permitting a person under the age of 19 access to a gaming area or permitting the person to play a VLT. Persons under the age of 19 will be prohibited from seeking access to gaming areas where VLTs are located or from playing a VLT.²⁴
- The *Liquor Licence Act* will be amended to permit suspension or revocation of a liquor licence when the licence-holder or an employee

allows a person under the age of 19 to play VLTs or be in gaming areas with VLTs.²⁵

- To establish a screening process for prospective gaming suppliers and operators, amendments to the *Gaming Control Act* will require suppliers of equipment and operators of charitable gaming halls to be registered with the Alcohol and Gaming Commission of Ontario.²⁶

PUBLIC HEARINGS ON BILL 75

The Legislature's Standing Committee on Administration of Justice held three weeks of public hearings on Bill 75 this past summer in Toronto, Thunder Bay, Kenora, Fort Erie, Sarnia, Ottawa and Sudbury. A summary of the submissions made by the various stakeholder groups is set out below.

Opening Statements

Statement by the Minister

In his presentation to the Committee,²⁷ the Minister of Consumer and Commercial Relations stated that the VLT program would:

- Establish a tightly regulated, government managed VLT network that will counter illegal gaming activity, and impose discipline and control in the Ontario gaming marketplace.
- Respond to a legitimate entertainment demand.
- Provide a significant stimulus to the hospitality and horse racing industries.
- Provide a greater flow of funds to charities.

The Minister also announced that 2% of gross VLT revenues, estimated to be \$9 million per year, will be directed to support a problem-gambling strategy of public awareness, education, research and prevention.

The Minister concluded by stating that the method of implementation for the VLT program would be finalized by the Ontario Lottery Corporation later this year.

Statement of the Official Opposition

In its opening statement,²⁸ the Liberal Party argued that Bill 75 is being introduced without adequate consultation, and that legalizing VLTs in the absence of an overall gaming policy could have adverse consequences. Specific concerns included:

- The economic benefits of VLTs to the hospitality sector have been overstated. The current problems in the industry reflect a lack of consumer confidence, rather than a lack of gaming activities, such as VLTs.
- Legalizing VLTs will not make the illegal machines go away - there is too much profit in them. If there is a need to eliminate “grey machines,” this should be done through better enforcement.
- The new Alcohol and Gaming Commission will not have enough inspectors to uphold existing liquor laws, let alone patrol the proposed 20,000 VLTs.
- Bill 75 is simply an attempt to extract taxes on a voluntary basis, and represents an alarming trend toward government dependency on gaming revenues to provide essential public services.
- In light of the addictive nature of VLTs, we should be considering whether we need to pursue this type of gaming at all.
- Municipalities should have the right to choose whether or not to allow VLTs in their communities.

Statement of the Third Party

The NDP statement²⁹ expressed concern that the government has not fully assessed the social and economic impact of VLTs, and suggested that the real purpose of Bill 75 is to raise revenue for the government. Specific concerns included:

- The economic benefits of gambling are uncertain, as evidenced by the experience with the Windsor casino. The government has failed to produce any reports on the economic impact of its proposed VLT program.
- The OPP and other sources suggest that legalizing VLTs will not reduce the number of illegal machines. Stricter enforcement of the current law would be the better approach.
- The experience in other jurisdictions that have legalized VLTs is that organized crime has infiltrated that market.
- VLT playing is the most addictive form of gambling. When citing studies on VLTs and gambling addiction, the government has under-stated the negative findings about the effects of VLTs, such as the fact that VLTs are particularly attractive to youth and are the game of choice for those with gambling problems.

- In its promotion of gambling, the government points only to the winners, but fails to note that the odds are, in fact, against winning. This has created false hopes for those in lower income groups who believe they can solve their financial problems by gambling.

Hospitality Industry

The Committee heard that Ontario's hospitality industry directly employs 232,000 individuals and indirectly employs 85,000. Total industry sales are \$10 billion, or 3.8% of the province's GDP. In recent years, however, industry sales have declined 20%, and 90,000 jobs have been lost.

The *Ontario Hotel and Motel Association* expressed strong support for Bill 75.³⁰ Based on the experience in other provinces the Association predicted that the introduction of VLTs in Ontario would produce 10,000 jobs and over \$100 million in capital expenditures. The OHMA, along with many individual hotel and motel operators who appeared before the Committee, emphasized the importance of staying competitive with other establishments in Ontario that have installed illegal machines, and with other jurisdictions that have already legalized VLTs.

Industry representatives rejected the common criticisms of VLTs, arguing that: VLTs are viewed by the public as a legitimate form of entertainment, rather than as an insidious new form of gambling; studies have shown that VLTs are no more addictive than any other form of gambling; and, VLTs have not had a negative impact on charitable gaming in other provinces.

These views were echoed by the *Ontario Restaurant Association* and individual restaurateurs, who argued that VLTs are simply another form of entertainment that will help restaurants to survive tough economic times.³¹ One restaurant noted that, in its three Edmonton locations, VLTs have generated \$100,000 annually, in each restaurant, and that \$28,000 of that goes to increased wages for staff. It was also pointed out that VLTs not only generate revenues in themselves, but they also generate revenues from the sale of food and beverages, because the machines keep customers in restaurants longer.³²

One aspect of the government's VLT program that is not fully supported by the hospitality industry is the proposal to introduce VLTs in phases. Many witnesses were concerned that they would lose customers, permanently, to race tracks and charitable gaming operations if VLTs are introduced in those areas before they are permitted in hotels, restaurants and bars.

Gaming Industry

Suppliers

Suppliers of gaming equipment and services related to VLTs were particularly supportive of the proposal to introduce VLTs in permanent charity casinos. They believe that, in comparison with the existing system of roving three-day charitable casinos, permanent casinos will provide significant cost savings, improve efficiency and make enforcement of regulations and surveillance of operations easier. Some suppliers argued that VLTs should not be permitted in the hospitality industry until the full social and economic impact of VLTs is known.³³

Suppliers of gaming equipment and services to charitable and non-profit organizations who depend primarily on break-open tickets and other established forms of gaming were generally opposed to the introduction of VLTs. They believe that VLTs will negatively affect the ability of charities to raise revenues, which will in turn affect the sales of those companies supplying charities. These suppliers argued that the government should not proceed with the proposed VLT program until it has studied fully the impact of VLTs on the ability of charities to raise funds.³⁴

Bingo Halls

Bingo hall operators say that excluding bingo halls from the proposed VLT program will devastate charities that rely on bingo revenues. Operators argue that bingo halls would provide a secure environment for VLTs, since the bingo industry is already a licensed industry whose employees' backgrounds are checked by gaming authorities. Moreover, revenues raised by bingos are distributed directly to charities, unlike VLT revenues generated in hotels and bars. One submission suggested that it was "unethical" to exclude bingo halls from the VLT program in light of the fact that there are over 300 bingo halls in the province, as compared with fewer than ten race tracks.³⁵

Charitable and Non-profit Organizations

Charitable and non-profit organizations expressed great concern about the introduction of VLTs in race tracks and liquor-licensed establishments. They say the machines will compete directly with established charitable and non-profit gaming activities, such as break-open tickets, thereby diminishing the ability of these groups to raise funds. Some predicted that the government's VLT program will lead to a collapse of the volunteer-driven social services sector and result in greater dependence on government funding.³⁶

Another concern is that the government revenues generated by VLTs located in race tracks and liquor-licensed establishments will not be distributed directly to charities and local community services, as is currently the case with revenues raised through traditional forms of charitable and non-profit gaming

activities. Accordingly, several groups supported the introduction of VLTs in permanent charity casinos, but urged the government to reconsider its proposal to allow the machines in liquor-licensed establishments.³⁷

Horse Racing Industry

Representatives of the horse racing industry were universally in favour of the proposal to allow VLTs in race tracks. Several horse racing groups and race track operators stated that this will allow them to compete with other forms of gaming entertainment, as well as with race tracks in other jurisdictions which have legalized VLTs. They stressed the importance of a healthy horse racing industry to the Ontario economy, noting that the industry currently supports 40,000 jobs and represents the third largest component of the agricultural sector in the province.³⁸

Industry representatives noted that race tracks already operate within a tightly regulated environment and, therefore, would provide a secure setting for VLTs. However, a number of race track operators suggested that VLTs should be allowed in liquor-licensed establishments only after the impact of phase one of the VLT program has been fully assessed.³⁹

The *Ontario Horse Racing Industry Association* expressed concern about the possibility of private sector ownership and operation of VLTs at race tracks. The association recommended that, if the government intends to allow private sector involvement, it should consider allowing racetracks to own and operate VLTs.⁴⁰

Addiction Service Groups

In its presentation to the Committee, the *Addiction Research Foundation* made the general observation that problem gambling imposes a large economic cost on the province. However, ARF did not explicitly oppose the legalization of VLTs. Instead, it recommended that the government outline a comprehensive strategy of research, public awareness and treatment to deal with problem gambling, and that alcohol and gaming regulatory bodies be adequately staffed.⁴¹

Other addiction service groups openly opposed legalizing VLTs. They argued that legalizing VLTs will result in more problem gambling because they increase the opportunity to gamble, and because it has been shown that VLTs are a particularly addictive form of gambling. Northern groups were especially concerned about the effects VLTs might have on their communities.⁴²

Native Groups

While native organizations were generally supportive of the proposal to introduce VLTs in charitable casinos, concern was expressed about the distribution of revenues. For example, the *Ontario Metis Aboriginal Association* suggested that if one of the purposes of Bill 75 is to assist charities, then the government should not be proposing to take such a large share of revenues. The *Ontario Native Women's Association* argued that access to VLT revenues be guaranteed in legislation.⁴³

Municipalities

The few municipalities that appeared before the Committee were generally supportive of the Bill. However, they also sought assurances from the government that VLT revenues will be directed back into the communities from which they were raised. These revenues, it was proposed, should be directed to charities and community services, as well as to gambling addiction services and local police forces to help them deal with the adverse effects of increased gambling.⁴⁴

The City of Sudbury recommended that municipalities be given the option of approving the introduction and number of VLTs in their communities. The Town of Markham called for a recognition of the role of municipalities in approving specific gaming sites.⁴⁵

Labour Organizations

The *Ontario Liquor Board Employees Union* argued that Bill 75 will not provide for a measured and controlled expansion of gaming in Ontario. It noted that 33 inspectors employed by the Ontario Liquor Licence Board are currently responsible for 15,586 licensed bars, restaurants and hotels, and over 82,000 special-occasion permits for the sale of alcohol. Each inspector is responsible for over 500 establishments, which means that an establishment is inspected about once every six years. Inspectors are not currently responsible for gaming activities. Under Bill 75, however, there could be 10,000 licensed establishments with VLTs. The union warned that the additional responsibilities entailed under Bill 75 could stretch the capacity of inspectors beyond the breaking point, and could result in rampant abuse of the VLT program.

The OLBEU recommended that, in the absence of a significant expansion of the existing inspection program, VLTs be limited to race tracks, permanent charity casinos and casinos. It also supported giving municipalities the option of approving VLTs.⁴⁶

Religious Organizations

Religious organizations appearing before the Committee generally opposed any expansion of gaming in Ontario. They were particularly concerned about VLTs because they believe the machines are highly addictive and are likely to cause serious social problems. It was suggested that, if the real purpose of the VLT program is to generate revenues for the government, it would be more appropriate to raise money through the tax system.⁴⁷

VLTs AND GAMBLING ADDICTION: RECENT STUDIES

While the number of anecdotal reports in the media about the effects of VLTs on gambling addiction have increased in recent years, there have been few formal studies of this issue.

A recent bulletin issued by the Addiction Research Foundation (Ontario) outlined some of the concerns that have been expressed about VLTs and gambling addiction.

- Players compare the “high” of VLT playing to that of drugs and alcohol.
- The challenge of playing VLTs is to play for as long as possible with the least amount of money. VLT players believe they possess a special skill that allows them to play as long as possible.
- VLTs have “nudge,” “hold” and “gamble” buttons so that players can choose their fate. This makes players believe that they have control over wins and losses.
- Flashing lights, music and loud bells and whistles create the impression of constant fun, activity, and winning.⁴⁸

Set out below is a summary of the major Canadian studies done on VLTs and gambling addiction. A brief description of international findings is also included.

Alberta

VLTs were introduced in Alberta in 1992. Although 8,600 machines were initially approved, the number of machines was recently capped at 6,000, partly in response to public concern about problem gambling.

Gambling and Problem Gambling in Alberta

In 1993, the Alberta government commissioned a study by Wynne Resources Ltd. to determine the prevalence of problem gambling in the province.⁴⁹ Using a methodology called the South Oaks Gambling Screen, which

categorizes gamblers according to frequency of play and estimated expenditures on gambling, the study found that 4.0% of respondents scored as “current problem gamblers,” and 1.4% scored as “current probable pathological gamblers.” Thus, the current rate of problem and pathological gambling in Alberta was estimated at 5.4% of the adult population.

Based on these figures, the study estimated that between 57,000 and 90,000 Albertans over the age of 18 could be classified as “current problem gamblers.” Between 16,500 and 35,000 adults could be classified as “current probable pathological gamblers.”

A Description of Problem Gamblers in Alberta

Following the release of the above report, the Alberta Alcohol and Drug Abuse Commission (AADAC) was asked by the government to develop prevention, education and treatment programs to address problem gambling in the province. AADAC retained Wynne Resources to assist in a study focusing on a number of specific issues related to problem gambling, including VLTs.⁵⁰ The study’s findings include the following:

- Problem gamblers, including pathological gamblers, are more likely than non-problem gamblers to engage in every form of gambling; however, they show a propensity for continuous forms of play. Continuous gambling forms include instant-win tickets, bingo, VLTs, horse races and casino games where there are repeated sequences of wager, play and results within a relatively short time-span.
- Although there is little specific empirical data on the connection between problem gambling and VLTs, available data suggests:
 - women are increasingly turning to VLTs as the preferred form of gambling;
 - “high risk” groups for developing VLT-related gambling problems include adolescents and young adults, ethnic minorities, native people, singles, low income earners, the unemployed and the under-educated;
 - the nature of VLT play makes it difficult for problem gamblers to control the frequency, time per session and the money they spend;
 - VLT play is especially attractive to gamblers seeking escape from every-day problems, as well as to low income earners seeking a “quick fix” to persistent financial problems;
 - VLT play is the type of gambling which results in the highest occurrence of “dissociation,” one of the main theories used to explain gambling addiction.

Female Problem Gamblers in Alberta

Wynne Resources was also asked by the AADAC to conduct a study on gambling problems relating to women in Alberta.⁵¹ It found:

- Female problem gamblers are three times more likely than female non-problem gamblers to play VLTs. They are less likely to play VLTs than male problem gamblers.
- Female problem gamblers spend fifteen times more than female non-problem gamblers monthly on VLTs; however, they spend significantly less than male problem gamblers on VLT play.

Manitoba

VLTs were introduced in rural Manitoba in liquor-licensed establishments in 1991, and in liquor-licensed hotels and restaurants in Winnipeg in 1993. In the same year, a moratorium was placed on further expansion of VLTs and casino sites in the province.

A Profile of VLT Gamblers in Brandon, Manitoba

In 1994, Dr. Barbara Gfellner, a psychologist at Brandon University, conducted research on the types of individuals who play VLTs in Brandon, Manitoba. Dr. Gfellner's study focused on the characteristics, gambling behaviour and attitudes of VLT players and the reasons for playing VLTs. Her findings were based on a sample of 507 gamblers. This study was referred to frequently during the Justice Committee's hearings on Bill 75.

- Overall, VLT gamblers played once or twice a week and played for an average of 32.5 minutes each session. Most players said they had a budget, with the average budget or expenditure per session being \$10.30, and that they stayed within that budget, win or lose. Most respondents indicated that they played VLTs for several reasons: to win money (83%); because it's "fun, enjoyable, entertaining" (88%); and because it's "exciting" (88%).
- Overall, VLT gambling is engaged in regularly by young adults in a social context. It is an affordable activity that is budgeted and viewed as recreational, with a potential for pay-back. VLT players engage in other forms of gambling, but VLT playing is most frequent.
- Using the South Oaks Gambling Screen, 3.4% of gamblers surveyed were classified as "pathological gamblers," with a further 5.9% classified as "probable problem gamblers." Gfellner speculated that these numbers underestimated the proportion of VLT players who might have gambling problems.
- Although most pathological and problem gamblers were employed full-time, they were more likely than non-problem gamblers to be employed less than full-time or unemployed, and to have a lower income.

- In comparison with non-problem gamblers, pathological and problem gamblers played VLTs more frequently and spent more time and money per session, and were less likely to stick to a budget when they lose.
- In comparison with non-problem gamblers, pathological and problem gamblers reported more changes in their gambling behaviour (mostly concerning expenditures) since the introduction of VLTs. However, they were less concerned that playing VLTs was something they could not control, which suggests that most pathological and problem gamblers are unaware of their gambling problems.

Problem Gambling Study

A research report prepared for the Manitoba Lotteries Corporation in 1995 found that 4.3% of Manitobans were problem or pathological gamblers (2.4% problem, 1.9% pathological). In 1993, the results were 2.9% problem and 1.3% pathological, for a total of 4.2% of Manitobans.⁵²

Manitoba Lottery Policy Review

In 1995, the Manitoba government appointed the Lottery Policy Review Working Group to review lotteries and gaming policy in Manitoba.⁵³ The Working Group's findings and recommendations with respect to VLTs are noted below.

- VLTs and slot machines were described as having been “the fire point of criticism for gaming policy within the province.” A majority of those surveyed (58.1%) supported a decrease in the number of VLTs in the province. Statistics collected by the Working Group showed that the frequency of play for VLTs and slot machines was higher than for any other form of gambling.
- A concern raised in public submissions was the effect VLTs were having on youth. The Working Group's survey showed that 25% of respondents began gambling before they turned 18, and that the younger a respondent was when he or she started gambling, the more likely he or she was to become a high-frequency VLT player.
- The Working Group made the following recommendations directed at curtailing VLT playing by youth:
 - Young people should be made to understand that winners are determined by random choice, not by skill or frequency of play.
 - VLTs should be screened from view in facilities where minors have access.
 - VLTs should be designed to regulate or restrict length of play or maximum amount wagered.

- Local municipalities, through plebiscites, should be able to approve or reject VLTs in their communities.

International Studies

In the United Kingdom, where “fruit machines” have been in place for over ten years, Mark Griffiths of the University of Exeter has conducted extensive research on the effects of machine gambling on adolescents. Fruit machines derive their name from the types of fruit symbols (cherries, lemons, oranges) that spin randomly during play. Professor Griffiths’ findings include the following:

- Pathological gamblers started playing fruit machines significantly earlier than non-pathological players.
- Many adolescents started playing fruit machines because they were “bored” or “had nothing else to do.”
- One of the consequences of excessive fruit machine playing is relieving tense or depressive moods by “escapist playing”; that is, blanking one’s mind and going on “automatic pilot.”
- Regular players believe that they are more skillful and play at a faster speed than non-regular players - even though the technical skill involved in machine playing is low-level (“idiot skill”).
- Machine players are not depressed because they constantly lose; rather, they become excited because they are constantly near winning.⁵⁴

In a recent survey of world trends, Professor Griffiths⁵⁵ found that in the past ten years slot machines have become the predominant form of gambling by pathological gamblers treated in self-help groups and professional treatment centres in Spain, Germany and Holland. He also noted that in the United States, a 1992 study found that 72% of high income and 77% of low income pathological gamblers, surveyed in five states, played slot machines.

NOTES

¹ Wynne Resources Ltd., *A Description of Problem Gamblers in Alberta: A Secondary Analysis of the Gambling and Problem Gambling in Alberta Study* (Edmonton: Alberta Alcohol and Drug Abuse Commission, 1994), p. 16.

² Manitoba, Manitoba Lottery Corporation, "Video Lottery Terminals," *Fact Sheet*, June 1996.

³ Ibid.

⁴ Telephone interview with Susan Olynick, Director, Communications, Manitoba Lotteries Corporation.

⁵ Manitoba, Manitoba Lotteries Corporation, *1994-1995 Annual Report* (Winnipeg: The Corporation, September 1995), p. 40.

⁶ Manitoba, Manitoba Lottery Policy Review Working Group (L.L. Desjardins, Chair), *Working Group Report* (Winnipeg: The Group, December 1995), p. 17.

⁷ Manitoba, Manitoba Lotteries Corporation, *1994-1995 Annual Report*, p. 21.

⁸ Alberta, Alberta Lottery Review Committee (Judy Gordon, Chair), *New Directions Alberta Lotteries: Discussion Paper* (Edmonton: The Committee, January 1995), p. 3.

⁹ Ontario, Legislative Assembly, Standing Committee on Administration of Justice, Submission re Bill 75: Alberta Gaming and Liquor Commission, 14 August 1996.

¹⁰ Ibid.

¹¹ Alberta, Alberta Lottery Review Committee (Judy Gordon, Chair), *New Directions Alberta Lotteries*, p. 3.

¹² Alberta, Alberta Lottery Review Committee (Judy Gordon, Chair), *New Directions for Lotteries and Gaming: Report and Recommendations of the Lottery Review Committee* (Edmonton: The Committee, 31 August 1995), p. 23.

¹³ Telephone interview with Margaret-Anne Gautreault, Communications, Atlantic Lotteries Corporation, Fredericton, New Brunswick, 25 September 1996.

¹⁴ Ontario, Legislative Assembly, Standing Committee on Administration of Justice, Submission re Bill 75: Lotto Quebec, 14 August 1996.

¹⁵ Ontario, Legislative Assembly of Ontario, *Bill 75: Alcohol, Gaming and Charity Funding Public Interest Act, 1996*, 1st Session, 36th Parliament, 45 Elizabeth II, 1996.

¹⁶ Ontario, Ministry of Finance, *1996 Ontario Budget: Budget Speech* (Toronto: The Ministry, presented 7 May 1996), pp. 25-26; and Ontario, Legislative Assembly, Standing Committee on Administration of Justice, *Notes for Remarks for the Honourable Norman W. Sterling, Minister of Consumer and Commercial Relations*, 6 August 1996.

¹⁷ Carolyn Abraham, "The One-eyed Bandit," *Ottawa Citizen*, 21 May 1996, p. A1.

¹⁸ Ibid.

¹⁹ Ontario Hospitality Industry Coalition, "Video gaming will create jobs, save business, generate \$500 million new revenue," *Press Release*, 1994.

²⁰ Ontario Video Gaming Corporation, *Video Gaming: Issues and Answers* (Toronto: The Corporation, March 1995), p. 27.

²¹ Charities First Ontario, *Video Lottery Terminals and the Charitable Gaming Industry: Ravage or Reward?* (Ontario: Charities First Ontario, 21 July 1995).

²² Ontario Video Gaming Corporation, *Video Gaming: Issues and Answers* (Toronto: The Corporation, March 1995), p. 28.

²³ Bill 75, ss. 6(1), (2).

²⁴ Bill 75, s. 6(3).

²⁵ Bill 75, s. 3(6).

²⁶ Bill 75, s. 4(8).

²⁷ Ontario, Legislative Assembly, Standing Committee on Administration of Justice, *Notes for Remarks for The Honourable Norman W. Sterling, Minister of Consumer and Commercial Relations*, 6 August 1996.

²⁸ Ontario, Legislative Assembly, Standing Committee on Administration of Justice, *Hansard: Official Report of Debates*, 36th Parliament, 1st Session (6 August 1996): 923-25.

²⁹ *Ibid.*, 925-28.

³⁰ Ontario, Legislative Assembly, Standing Committee on Administration of Justice, Submission re Bill 75: Ontario Hotel and Motel Association, 7 August 1996. All subsequent Submissions re Bill 75 were made to the Standing Committee on Administration of Justice.

³¹ Submission re Bill 75: Ontario Restaurant Association, 14 August 1996.

³² Submission re Bill 75: Elephant and Castle Restaurant, 14 August 1996.

³³ Submissions re Bill 75: B.J. Games Inc., 15 August 1996; Klondike Casino, 8 August 1996; and Classic Canadian Group, 7 August 1996.

³⁴ Submissions re Bill 75: Break Open Ticket Program, Management Alliance, 7 August 1996; Health Promotions Strategies Inc., 7 August 1996; and Top Tier Games, 12 August 1996.

³⁵ Submissions re Bill 75: Big D Bingo and Bingo Country, 12 August 1996; and Delta Bingo Group of Companies, 13 August 1996.

³⁶ Submissions re Bill 75: B'nai B'rith Canada, 7 August 1996; and The Charitable Gaming Federation of Ontario, 12 August 1996.

³⁷ Submissions re Bill 75: Northern Ontario Fibromyalgia Network, Inc., 20 August 1996; and Sudbury Board of Education: Secondary School Principals' Association, 20 August 1996.

³⁸ Submissions re Bill 75: Ontario Horse Racing Industry Association, 12 August 1996; and Racetracks of Canada (Ontario), 7 August 1996.

³⁹ Submissions re Bill 75: Northern Teletheatre Network, 8 August 1996; and Barrie Raceway, 7 August 1996.

⁴⁰ Submission re Bill 75: Ontario Horse Racing Industry Association, 12 August 1996.

⁴¹ Submission re Bill 75: Addiction Research Foundation, 7 August 1996.

⁴² Submissions re Bill 75: GamAnon, 9 August 1996; and Concerns Canada, 14 August 1996.

⁴³ Submissions re Bill 75: Ontario Metis Aboriginal Association; and Ontario Native Women's Association, 8 August 1996.

⁴⁴ Submissions re Bill 75: City of Ottawa, 19 August 1996; and Town of Kenora, 9 August 1996.

⁴⁵ Submissions re Bill 75: City of Sudbury, 20 August 1996; and Town of Markham, 14 August 1996.

⁴⁶ Submission re Bill 75: Ontario Liquor Board Employees Union, 14 August 1996.

⁴⁷ Submissions re Bill 75: The Council of Christian Reformed Churches in Canada, 7 August 1996; and United Church of Canada, 19 August 1996.

⁴⁸ Addiction Research Foundation (Ontario), *Bulletin from the Addiction Research Foundation, Problem and Compulsive Gambling Project 2:1* (Toronto: The Foundation, May 1996).

⁴⁹ Wynne Resources Ltd., *Gambling and Problem Gambling in Alberta: Final Report* (Edmonton: Alberta Lotteries and Gaming, January 1994).

⁵⁰ Wynne Resources Ltd., *A Description of Problem Gamblers in Alberta*.

⁵¹ Wynne Resources Ltd., *Female Problem Gamblers in Alberta: A Secondary Analysis of the Gambling and Problem Gambling in Alberta Study* (Edmonton: Alberta Alcohol and Drug Abuse Commission, 1994).

⁵² Criterion Research Corporation, *Problem Gambling Study: Final Report* (Winnipeg: The Corporation, September 1995).

⁵³ Manitoba Lottery Policy Review Working Group (L.L. Desjardins, Chair), *Working Group Report* (Winnipeg: The Group, December 1995).

⁵⁴ Mark Griffiths, "Addiction to fruit machines: A preliminary study among males," *Journal of Gambling Studies* 6:3 (Fall 1990): 113-126; and "The acquisition, development and maintenance of fruit machine gambling in adolescents," *Journal of Gambling Studies* 6:3 (Fall 1990): 193-204.

⁵⁵ Sue Fisher and Mark Griffiths, "Current trends in slot machine gambling: Research and policy issues," *Journal of Gambling Studies* 11:3 (Fall 1995): 239-247.

3 1761 11550058 9

